

CONSUMERS GAS COMPANY

ILL. C.C DOCKET 00-0712

TWENTY-THIRD ANNUAL RECONCILIATION OF PGA GAS REVENUE  
WITH RELATED COST OF GAS

TWELVE MONTHS ENDED DECEMBER 31, 2000

RESPONDENT'S EXHIBIT AND TESTIMONY

OF

C. A. ROBINSON

ORIGINAL FILE  
IN C.C. DOCKET NO. CO-0712  
Consumer's Exhibit No. 4  
Witness \_\_\_\_\_  
Dated 8/29/01 per \_\_\_\_\_

CONSUMERS GAS COMPANY

ILL. C.C. DOCKET NO. 00-0712

PREPARED TESTIMONY OF

C. A. ROBINSON

I.C.C. DOCKET NO. 00-0712

DIRECT TESTIMONY OF

C. A. ROBINSON

1. Q. Please state your name and business address.

A. C. A. Robinson, 1410 North Cullen Avenue, Evansville, Indiana, 47715.

2. Q. What is your relationship to Consumers Gas Company?

A. I am a director, shareholder and President of Consumers Gas Company.

3. Q. Will you briefly describe your duties as President of Consumers Gas Company?

A. I am responsible for the day-to-day and financial operations of the Company. I supervise the gas accounting, fiscal record keeping, customer billings, all administrative and personnel matters, the preparation of tariff sheets and informational filings submitted to the Commission and the preparation of miscellaneous documents and matters for presentation to the Illinois Commerce Commission. I am further responsible for gas purchases, equipment purchases and repair and maintenance of all Company equipment and materials used in any manner in the business of the Company.

4. Q. Please describe your educational and professional background?

A. I am a 1957 graduate of Louisiana Tech University with a B.S. in Petroleum Engineering. I was employed by Mobil Oil some two years and Kingwood Oil Company some seven years as an Engineer. In 1968, I formed Robinson Engineering, which is a petroleum consulting and oil and gas producing firm. I am a Registered Petroleum Engineer in the State of Louisiana. I have been a petroleum consultant, an independent oil and gas producer and drilling and construction contractor from 1968 to the present. I own and operate, through Robinson Engineering, some 300 oil and gas wells in Illinois, Indiana and Kentucky.

1 5. Q. Have you previously testified before the Illinois Commerce Commission?  
2

3 A. Yes, on several occasions.  
4

5 6. Q. Will you please describe the business of Consumers Gas Company?  
6

7 A. Consumers Gas Company is a corporation organized and existing under the Laws of the State  
8 of Illinois. It is also a public utility subject to the jurisdiction of the Illinois Commerce  
9 Commission under the provisions of the Public Utilities Act of Illinois. The main office of the  
10 Company is located in Carmi, Illinois, but the Company records are, pursuant to an order of  
11 this Commission, located in Evansville, Indiana. Additional offices are located in the service  
12 areas of Ridgway and Albion, Illinois. The Company provides gas service in White County  
13 to Carmi; in Gallatin County to Ridgway, Junction, New Haven, Omaha, Old Shawneetown,  
14 Brownsville and the New Shawneetown and Equality municipal systems; in Edwards County  
15 to Albion, West Salem, Browns and Bone Gap.  
16

17 7. Q. How many customers did Consumers serve in 2000?  
18

19 A. Approximately 6,000 customers, including the New Shawneetown and Equality municipal  
20 systems, which are each counted as one customer.  
21

22 8. Q. Have you read the Citation Order entered by the Commission in this docket?  
23

24 A. I have.  
25

26 9. Q. Did you, relative to this proceeding, cause a notice to be filed in each of the three Illinois office  
27 locations, advising the public of the filing of certain documents and of their rights in the  
28 proceedings.  
29

30 A. Yes.  
31

32 10. Q. I show you what has been previously marked for identification as Respondent's Exhibit No.  
33 1 and ask you if this is a true and correct copy of the notice posted in your Illinois business  
34 offices?  
35

36 A. Yes, it is.  
37

38 11. Q. How long was the notice posted?  
39

40 A. For over 30 days.  
41

42 12. Q. Was the notice posted in a prominent location within the offices that would be conspicuous  
43 to the public?

1 A. Yes.  
2  
3 13. Q. I show you what has been previously marked for identification as Respondent's Exhibit No.  
4 2, which consists of some four pages and ask you if these are original certificates of publishers  
5 of the four newspapers used for the legal publication?  
6  
7 A. Yes, they are.  
8  
9 14. Q. Are the four newspapers that were used, newspapers of general circulation in the area served  
10 by Consumers Gas?  
11  
12 A. Yes, they are the only locally published newspapers in our service area.  
13  
14 15. Q. Have you made publication in every municipality and general area in which you provide  
15 service, provided a newspaper is published in that community?  
16  
17 A. Yes.  
18  
19 16. Q. Were these publications made on the dates as indicated in the certificates?  
20  
21 A. Yes.  
22  
23 17. Q. Were copies of the same filed information available to persons making requests of your  
24 Company?  
25  
26 A. Yes.  
27  
28 18. Q. Is Texas Eastern Transmission Corporation the only pipeline company serving your area?  
29  
30 A. Yes, it is.  
31  
32 19. Q. Has the Company investigated the possibility of an alternative pipeline supply?  
33  
34 A. Yes, but the cost of installing the necessary transmission lines would be cost prohibitive and  
35 cannot be justified to our customers at this time.  
36  
37 20. Q. Does the Company purchase local gas?  
38  
39 A. Yes, on a limited quantity when available. In 2000 we purchased local gas for our Omaha and  
40 Carmi systems.  
41  
42 21. Q. Does the Company purchase gas on the spot market for system supply?  
43

- 1 A. Since FERC Rule 636 came into being we purchase most of our gas through a gas marketer,  
2 J.D. Woodward, who buys index gas at Kosciusko, Mississippi, Gas Exchange.  
3  
4  
5 22. Q. Does your gas marketer offer a firm gas supply?  
6  
7 A. Yes, as our marketer pays a 3% premium on the index price to receive a firm supply.  
8  
9 23. Q. Have you had an interruption in your gas purchases in 2000?  
10  
11 A. No.  
12  
13  
14  
15 24. Q. How does the Company determine the volume of gas and its cost of purchase on a monthly  
16 basis?  
17  
18 A. The volume is based on historic usage and the price is based on the index price on the 1st  
19 Monday of the month from Natural Gas Weekly for gas on the Kosciusko Gas Exchange or  
20 the future's price when we prebuy to get a lower gas cost.  
21  
22 25. Q. What does your marketer charge for his services?  
23  
24 A. The charge for this service is ten cents (\$0.10) per DTH and 103% of the index price for firm  
25 supply.  
26  
27 26. Q. Does the Company have a large space heating load for system supply?  
28  
29 A. Yes, the Company's system supply sales for 2000 were primarily to residential and commercial  
30 space heating customers.  
31  
32 27. Q. Does the monthly volume makeup of the gas system throughput vary because of the large  
33 space heating needs of your customers?  
34  
35 A. Yes, it does.  
36  
37 28. Q. Did the Company transport gas during calendar year 2000 for any designated end users?  
38  
39 A. Yes, Consumers transported gas for Champion Laboratories, an industrial customer, located  
40 in Albion, Illinois.  
41  
42 29. Q. What was the Company's mix of gas purchases for calendar year 2000?  
43

1 A. The total gas purchases in 2000 amounted to 835,957DTH, consisting of the following:

	<u>DTH</u>	<u>%</u>
2 -		
3 Index Gas	718,888	86.00
4 Local Gas	5,000	0.60
5 Storage Gas	<u>112,069</u>	<u>13.40</u>
6	835,957	100.00

7  
8 30. Q. How does the 2000 mix of gas throughput compare with 1999?

9  
10 A. The total gas purchases in 1999 were 740,426 DTH consisting of the following:

	<u>DTH</u>	<u>%</u>
11 -		
12		
13 Index Gas	619,200	82.52
14 Local Gas	17,350	2.31
15 Storage Gas	<u>113,876</u>	<u>15.17</u>
16	750,426	100.00

17  
18 31. Q. Does the end user transport customer purchase system supply gas at various times?

19  
20 A. Yes. Under the current contract between Consumers and Champion Laboratories, the end  
21 user, total gas supply may be purchased from Consumers or a gas supplier other than  
22 Consumers, but the supply may not be split. If the gas supply is purchased from a supplier  
23 other than Consumers and the gas supply is transported by TETCO using Consumers pipeline  
24 reservation space then Consumers bills the end user for the transportation charge relating to  
25 the end users volume of gas transported.

26  
27 32. Q. Does the Company take any action to attempt to verify volume delivery and cost of its gas  
28 purchases from its pipeline supplier?

29  
30  
31 A. All gas supply bills are checked as to accuracy both mathematically and with reference to the  
32 existing tariffs. In addition, the Company has continually verified the volume billed with check  
33 meters at each of our three take points.

34  
35 33. Q. Does the Company regularly oppose filings before the FERC for rate changes by its pipeline  
36 supplier

37  
38 A. We look at all filings received, but it is not economically feasible for a company the size of  
39 How often does Consumers Gas bill its customers? Consumers to spend time and effort  
40 necessary to make formal opposition to general rate filings by our supplier..

- 1 34. Q. How often does Consumers Gas bill its customers?  
2  
3 A. The Company bills its customers once each month for service periods which generally end  
4 within three business days of the calendar month end.  
5
- 6 35. Q. Are you familiar with your computer's billing program for proration?  
7  
8 A. Yes.  
9
- 10 36. Q. Will you explain the proration methodology?  
11  
12 A. The computer prorates each bill on the number of days of service, with each bill being  
13 considered as having used an equal daily volume for the service period. For example, if you  
14 have a thirty day month with a meter reading date of the 26th for the prior month and the 26th  
15 for the current month, 25 days of service is prorated at the current month's PGA rate and 5  
16 days of service at the prior month's PGA rate. When it is necessary to hand bill, the same  
17 proration method is used.  
18  
19
- 20 37 Q. Was the Company direct billed for take-or-pay surcharges and refunds by its pipeline supplier  
21 during 2000?  
22  
23 A. There was no direct billed take-or-pay in 2000 Q.  
24  
25
- 26 38. Q. What effort is the Company making to insure future access to low cost gas?  
27  
28 A. Consumers Gas has entered into a long term, multi-year contract to purchase firm index gas  
29 and has storage gas inventories  
30
- 31 39. Q. Do you believe Consumers Gas Company's gas purchases for calendar year 2000 were  
32 prudently made?  
33  
34 A. Yes, based on the facts previously stated, in my opinion, the Company prudently purchased  
35 gas for its customers.  
36  
37
- 38 40.. Q. Have you employed Kemper CPA Group, an independent Certified Public Accounting Firm,  
39 in Lawrenceville, Illinois, to audit the financial information included in Respondent's Exhibit  
40 3, which is presented in this proceeding?  
41  
42 A. Yes..  
43



- 1 41. Q. Have you examined Respondent's Exhibit 3 and do you believe it accurately represents the  
2 Company's PGA revenue and gas costs as shown in the Company's financial records and in  
3 compliance with I.C.C. Order No. 00-0712?  
4
- 5 A. Yes  
6  
7
- 8 42. Q. I show you a document previously marked for identification as Respondent's Exhibit 3 and ask  
9 you to describe this document.  
10
- 11 A. Respondent's Exhibit 3 contains a cover page, table of contents, the auditor's report and three  
12 statements  
13
- 14 43. Q. Please describe the purpose of Consumers Respondent's Exhibit 3.  
15
- 16 A. This Exhibit is submitted in compliance with ILL.C.C. Docket No. 00-0712 which requires  
17 that gas companies under the Commission's jurisdiction determine whether cost of gas  
18 adjustment charges (PGA) reflect actual cost of fuels prudently purchased and to reconcile any  
19 revenue collected, excluding refunds, under the charges with the actual gas costs as recorded  
20 in the Company's financial records. Accordingly, this Exhibit reflects the Company's Twenty-  
21 third Annual PGA Reconciliation for the year ended December 31, 2000 of gas revenue billed  
22 under its uniform PGA charges, excluding refunds, with the related cost of gas, as recorded  
23 in the Company's financial records for the same period then ended.  
24
- 25 44. Q. What is the total PGA revenue under collection reflected in this Exhibit?  
26
- 27 A. Statement 1 of this Exhibit shows a \$6,480 under collection for the twelve months ended  
28 December 31, 2000.  
29
- 30 45. Q. Was this under collection of gas cost for 2000 considered in any previous rate case for rate  
31 setting purposes or will it be considered in subsequent rates approved by any rate order  
32 granted for this Company?  
33
- 34 A. No, it was not included in any previous rate case for rate setting and it should never be  
35 considered in any non-PGA rates  
36
- 37 46. Q. What accounting method is used by the company to account for its gas costs and PGA  
38 revenues?  
39
- 40 A. The "unbilled revenue" method is used to account for the PGA revenue. This method reflects  
41 PGA revenue billed for the gas sales from the first of the year through the last day of the same  
42 year. The Company records all gas costs using the accrual method of accounting which  
43 reflects the cost of all gas purchases delivered for the 2000 calendar year.

1 47. Q. Are these accounting methods consistent with the preceding year and in compliance with  
2 Commission policy.

3  
4 A. Yes.

5  
6 48. Q. Will you explain the information contained in this Exhibit?

7  
8 A. This Exhibit contains three statements which in total provide a reconciliation of recoverable  
9 gas cost with the revenue billed under the Uniform PGA Clause, excluding refunds, associated  
10 with such costs for the twelve month period ended December 31, 2000

11  
12 Statement 1 summarizes the reconciliation and reflects a \$6,480 total PGA revenue under  
13 collection. The \$4,078,870 recoverable cost of gas is a cumulative total of:

- 14  
15 1. The invoice cost of gas purchased from its gas marketer plus the associated transport  
16 charges and the cost, if any, of contract gas, local gas and gas purchases for storage:  
17  
18 2. Plus the storage rental costs per contractual agreement;  
19  
20 3. Less the cost of Company use and franchise gas.  
21

22 The Company use and franchise gas costs were determined by accumulating the monthly costs  
23 which is an extension of the decatherm consumption for company use and franchise purposes  
24 by the average monthly decatherm cost of gas purchased. The average monthly decatherm  
25 cost of gas is calculated by dividing the total monthly cost of gas purchased by the total  
26 decatherms purchased.  
27

28 The \$3,867,916 total PGA revenue billed under the Uniform PGA Clause, excluding refunds,  
29 is detailed in Statement 2. The PGA billed revenues, plus any other incurred revenues  
30 associated with the PGA, are then subtracted from the cost of gas to determine the over or  
31 under billed recovery for the year end of December 31. .  
32

33 Statement 2 is a summary of the monthly PGA revenue from PGA Clause billings, excluding  
34 refunds, for the year ended December 31, 2000 and consists of four columns. The first  
35 indicates the billing month, the second shows the amount of monthly decatherm sales by the  
36 various rates applicable to each month, the third column reflects the monthly basic PGA rates  
37 detailed in Statement 3, column 4 is the resulting monthly basic PGA revenue billed, which  
38 is determined by multiplying column 2, the decatherm sales, by the appropriate monthly basic  
39 PGA rate in column 3.  
40

41 The decatherm sales reflected in column 2 shows the calculated prorated volumes of gas  
42 consumption based on dates of service with equal daily volume of gas being used for each day  
43 of service as described earlier in my testimony.

1 Statement 3 is a summary of the purchased gas adjustment charges applicable to regular gas  
2 supply costs , for gas services rendered on or after January 1, 2000 through December 31,  
3 2000 The total PGA rates reflected in column 3 are the total basic PGA rates reflected in each  
4 of the monthly Informational Filings with the Commission.  
5

6 49 Q. In summary, is it correct that the Factor A Adjustments, identified in Statement 1 line 12, be  
7 implemented for refunding on service rendered on or after March 1, 2000 as is permitted  
8 under the new PGA filing system?  
9

10 A. That is correct.  
11

12 50. Q. Does this conclude your testimony?  
13

14 A. Yes, it does.